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Central Intelligence Agency



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DIRECTORATE OF INTELLIGENCE

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IRAN-IRAQ: STRATEGIES IN THE GULF

Summary

The crisis in the Persian Gulf will continue to simmer for the next few weeks as Baghdad pursues its strategy of graduated escalation. This situation is likely to change significantly if Iran launches a major offensive at Al Basrah, which may come around mid-July. Iraq likely will step up its attacks against oil tankers bound for Khark Island and there is a better than even chance Iraq will strike directly at facilities on Khark, particularly if Iran's offensive begins to succeed. [redacted]

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We believe Iraq will be in a position to cripple Iran's oil lifeline by the fall, when Baghdad takes delivery of additional sophisticated French arms. New Soviet weapons may also be added to Baghdad's arsenal this summer. These weapons will greatly increase Iraqi capabilities to hit ships in the Gulf and possibly increase Baghdad's ability to inflict damage to key oil facilities at Khark. [redacted]

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If intensified Iraqi attacks seriously curtail Iranian oil exports, Tehran will react strongly. Iran likely will try to shift the focus of the confrontation away from air strikes on shipping to arenas where it has more of an edge--

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such as terrorism, sabotage, commando raids, as well as harassment of shipping in the lower Gulf. [REDACTED]

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Iran probably will not try to close the Strait of Hormuz, as this would block vital import routes and dramatically increase the risk of Western intervention in the war. Therefore, although Iran likely will aim initial retaliation against Kuwait, strikes against Saudi Arabia are an increasing possibility this fall, if Iran's oil exports are severely reduced for a prolonged period or if the export terminal at Khark Island is heavily damaged. Tehran may believe that its maneuverability--short of closing the Strait--will be greater in the fall because of preceived US inhibitions during the US election campaign. [REDACTED]

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Iraq's Strategy

Iraq is determined to squeeze Iranian oil exports until Tehran is forced to end the war. The Iraqis hold a wide edge over Iran in conventional weaponry and have been able to thwart numerous Iranian offensives over the past two years, but have been unable to force Iran to the negotiating table. Baghdad now is embarked on a policy of escalating attacks against Iranian oil exports to achieve its objective. Baghdad views Iran's retaliation for Iraqi attacks as contributing to the achievement of its goals by increasing international pressure for an end to the fighting. The capstone, and last resort, in Iraq's phased escalation would be sustained attacks against facilities on Khark Island. [REDACTED]

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Near term: Iraq is likely to continue its attacks at about the present level for the next one or two weeks. Public statements by Iraqi leaders suggest that Baghdad is convinced of the success of its strategy. [REDACTED]

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The situation in the Gulf, however, is almost certain to deteriorate next month. [REDACTED]

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[REDACTED] Iraq likely will step up the pace of its attacks on tankers bound for Khark, possibly as frequently as every two days, if Iran launches its offensive. Moreover, we believe there is a better than even chance that Iraq will carry out its threat to strike directly at Khark facilities, once the offensive is underway. Because the Iraqis are reluctant to risk losing large numbers of aircraft and want to retain the threat of damage to the export terminal as a possible bargaining chip, they are unlikely

[redacted]

to make an all-out attack on the island's oil facilities unless the Iranian offensive begins to succeed. [redacted]

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This Fall: In any event, we expect Iraq to increase dramatically pressure against Iranian oil exports by the fall, even if Iran does not launch its offensive. Iraq will begin receiving the first of at least 10 Mirage F-1 fighter aircraft configured to carry Exocet missiles in July. Because Iraq already has considerable combat experience with both the Mirage F-1 and the Exocet, these aircraft should be ready for combat operations by the fall. Baghdad probably has about 100 Exocet missiles in stock with another 50-90 due to be delivered before the end of the year, sufficient to conduct an intense campaign against shipping for several weeks. [redacted]

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Iraq also may have additional Soviet weaponry by the fall for attacks in the Gulf. We are uncertain which weapons the Soviets might provide, but [redacted] a new variant of the SU-22 ground attack aircraft, possibly capable of carrying laser-guided bombs, is already becoming combat ready in Iraq. Laser-guided munitions or other Soviet air-to-surface missiles would increase Iraq's ability to strike shipping or critical facilities on Khark Island. The Iraqis could also strike Khark facilities with SCUD missiles, which they have in their arsenal. [redacted]

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Iran's Response

Keeping its oil flowing is paramount for Iran. As long as it can export oil at current levels, we doubt Tehran will deviate from its strategy of selective reciprocity. So far the present pace of Iraqi attacks has been ineffective in slashing Iran's oil exports on a sustained basis. While Iranian oil exports fell from about 1.8 million b/d in April to about 800,000 b/d during a six-week period in mid-May when the Iraqis intensified their attacks, they have since rebounded to about 1.7 million b/d during the first half of June. [redacted]

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Focus on Kuwait: Thus far, Iran has been careful to limit its retaliation to tankers trafficking with Kuwait. Tehran fears greater retaliation could jeopardize the willingness of tankers to call at Khark or provoke Western intervention. The Iranians also are trying to use the tension in the Gulf to weaken support of the Gulf states for Baghdad by pointing to Iraq as the real threat to Gulf stability. Tehran's success so far in continuing oil exports despite Iraq's pressure probably has bolstered Tehran's resolve--but maintaining oil exports has come at a high price because of discounts necessary to keep tankers calling at Khark. [redacted]

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Once Iraq steps up attacks on oil tankers, Iran likely will feel the need to retaliate more forcefully. We do not believe the Khomeini regime will moderate its hardline position on the war without first trying to force Baghdad to stop its attacks. [redacted]

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[redacted]

The problem for Iran is how to shift the confrontation from air strikes, where Iraq and Saudi Arabia have a distinct advantage, to a more favorable arena. Iran already has begun to move in this direction by laying the basis for terrorist strikes in Kuwait. [redacted]

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Iran most likely will continue to focus its retaliation against Kuwait. Kuwait is the Gulf state least tied to the US and is vulnerable to Iranian sabotage and air attacks. Should the Iranians be thwarted in Kuwait they will likely turn their attention to the lower Gulf by attacking tankers away from the normal operating areas of the Saudi Air Force or harass shipping near the Strait of Hormuz. [redacted]

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Threat to Saudi Arabia: Just as the threat of serious damage to Khark Island is Iraq's ultimate weapon, so too attacks on Saudi Arabia or attempts to close the Strait of Hormuz will be undertaken by Iran only as last resorts. Closing the Strait--a vital route for food imports as well as oil--would injure Iran more than the Gulf Arabs. In the same way, striking directly at the Saudis would foreclose any possibility of weaning the Gulf Arabs away from Iraq. Tehran probably also is restrained by fear of Western intervention and the Saudi downing of an Iranian aircraft. [redacted]

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Outlook

The West could be faced with a much larger crisis in the Gulf this fall. For the first time since early in the war Iraq has the initiative and is unlikely to relinquish it. This points to steadily escalating Iraqi attacks. Effective Iraqi strikes that curtail Iranian oil exports for a prolonged period will prompt Tehran to actions that raise the risk of direct Western involvement. [redacted]

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[redacted]

The cycle of escalation could be broken if the Iranians conclude that the war has become a serious internal political liability. The willingness of the cleric regime to negotiate with Iraq, however, requires a decision by Khomeini that continuing the war threatens the whole structure of the Islamic revolution. Given Khomeini's personal hatred of Saddam Husayn and his belief that the war is between the forces of Islam and infidels, only a consensus of Iran's military, political, and religious leadership is likely to persuade him to abandon his goal of defeating Baghdad. The Iraqis will gamble on such a consensus developing, once Iran's pending offensive is defeated. Should the Iraqi calculation prove incorrect, both countries likely will find themselves locked in a slowly escalating cycle of violence which could pose a serious threat to Gulf oil exports. [redacted]

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